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Financial reports and audited financial statements, and reports of the Board of Auditors

Financial reports and audited financial statements, and reports of the Board of Auditors: United Nations

Financial reports and audited financial statements and reports of the Board of Auditors for the period ended 31 December 2015

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions considered 22 reports, consisting of the financial reports, audited financial statements and reports of the Board of Auditors for the financial period ended 31 December 2015 to the General Assembly for 20 entities of the United Nations system; the concise summary of the principal findings and conclusions contained in the reports of the Board for the annual financial period 2015; and advance copies of the reports of the Secretary-General on the implementation of the recommendations of the Board contained in its reports on the United Nations, and the United Nations funds and programmes, for the year ended 31 December 2015. The Committee reflects in separate reports its comments and recommendations on some topics reviewed by the Board of Auditors, namely the global service delivery model for the United Nations Secretariat (A/71/666); the eighth progress report on the enterprise resource planning project (Umoja) (A/71/628); the third annual progress report on the strategic heritage plan of the United Nations Office at Geneva (A/71/622); the fourteenth annual progress report on the implementation of the capital master plan (A/71/541); and the United Nations Joint Staff Pension Fund (A/71/621). A list of the reports considered by the Committee is provided in annex I to the present report.

2. During its consideration of the reports, the Advisory Committee met with the members of the Audit Operations Committee of the Board of Auditors, who

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provided additional information and clarification, concluding with written responses received on 29 November 2016. The Advisory Committee also met with representatives of the Secretary-General to discuss the status of implementation of the Board's recommendations, who provided additional information and clarification, concluding with written responses received on 1 December 2016.

3. The Board of Auditors indicates that the financial statements for the year 2015 of 11 entities[1] were submitted on 31 May 2016, or two months past the usual submission date, owing to challenges associated with the ongoing implementation of the enterprise resource planning system (Umoja). As a result, the Board issued its audit opinions on the financial statements in September and October 2016. The Board also refers to challenges faced in the preparation of financial statements for the operations of the United Nations as reported in volume I and for UNODC (A/71/558, paras. 5 and 8). In this connection, the Advisory Committee was informed by the Board, upon enquiry, that the first set of financial statements for volume I was presented to the Board on 31 May 2016 but contained numerous material errors. A revised set of financial statements was subsequently presented by the Controller of the United Nations on 23 September 2016, following which the Board certified the financial statements for volume I with an unqualified opinion. Upon enquiry, the Committee was informed by the Board that the Under-Secretary-General for Management and the Controller bore the responsibility for delivering timely, high-quality financial statements. The Board also informed the Committee that the Secretariat had expressed its confidence that the financial statements would henceforth be produced using Umoja and that such delays would not reoccur for the financial year 2016.

4. **The Advisory Committee regrets that, unlike the previous two years, the late submission of financial statements by the Secretariat has resulted in the Board not being able to provide its reports for the consideration of the Committee in a timely manner and in all six official languages. The Committee expects that all future reports will once again be provided within the required time frame, in accordance with the Financial Regulations and Rules of the United Nations, so as to allow sufficient time for their consideration by the General Assembly.** The Advisory Committee provides further comments and recommendations on the Board's report on the enterprise resource planning project in the context of its eighth progress report on that subject (A/71/628).

5. **The Advisory Committee continues to find the presentation of the Board of Auditors useful and appreciates the quality of both the concise summary report and the individual audit reports. The Committee again encourages the Board to ensure that its audit reports on the individual entities and topics follow a consistent outline and format to the extent possible, so as to facilitate comparison across different entities.**

[1] United Nations (Vol. I), International Trade Centre (ITC), United Nations Environment Programme (UNEP), United Nations Human Settlements Programme (UN-Habitat), United Nations Institute for Training and Research (UNITAR), United Nations Office on Drugs and Crime (UNODC), United Nations University (UNU), International Criminal Tribunal for Rwanda, International Tribunal for the Former Yugoslavia, International Residual Mechanism for Criminal Tribunals and United Nations Joint Staff Pension Fund.

6. On a related matter, the Committee enquired as to the use of the International Public Sector Accounting Standards (IPSAS) in decision-making processes and was informed by the Secretariat that managers currently received IPSAS-generated information, which could be used to better manage operational areas such as inventory, construction projects, investments and claims against the Organization. Managers were being provided with the training necessary to interpret and apply that information.

II. Audit opinions of the Board of Auditors

7. As noted in paragraph 3 above, the Board issued unqualified audit opinions for all audited entities for the financial period ended 31 December 2015, which was also the case in the previous year, for the period ended 31 December 2014. **The Advisory Committee notes that all entities have received unqualified audit opinions from the Board of Auditors.**

III. Major findings of the Board of Auditors

A. General observations

1. Overall financial situation

8. The Board has concluded that, of the 19 audited entities,[1] 10 entities and the United Nations peacekeeping operations closed the financial year 2015 with a surplus, of which 5 had shown a deficit for the year 2014.[2] Nine entities reported deficits in 2015, of which six had shown a surplus in 2014,[3] owing to factors such as a decrease in contributions, an increase in end-of-service liabilities as a result of IPSAS adoption, and the usage in 2015 of large balances of funds that had been recognized in 2014 (A/71/558, paras. 9-11 and table 1).

9. The Board applies a ratio analysis, as part of its assessment of financial sustainability and liquidity across United Nations entities, of the following ratios: (a) current ratio (current assets to current liabilities), indicating the ability to cover short-term liabilities; (b) solvency ratio (total assets to total liabilities); (c) cash ratio, which measures the amount of cash, cash equivalents and invested funds

[1] The Board indicates that the United Nations Joint Staff Pension Fund is not included because it follows International Accounting Standard 26 for the reporting framework and IPSAS for accounting treatments.

[2] Entities reporting a surplus in 2015 (entities previously reporting a deficit in 2014 are in italics): *International Criminal Tribunal for Rwanda*, *International Tribunal for the Former Yugoslavia*, *Office of the United Nations High Commissioner for Refugees (UNHCR)*, *United Nations Volunteers* (United Nations Population Fund (UNFPA), United Nations Office for Project Services (UNOPS), United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)), *United Nations peacekeeping operations*, UNEP and UNITAR.

[3] Entities reporting a deficit in 2015 (entities previously reporting a surplus in 2014 are in italics): *International Residual Mechanism for Criminal Tribunals*, *United Nations Capital Development Fund*, *United Nations Children's Fund (UNICEF)*, *ITC*, *United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)*, *UN-Habitat*, UNODC, UNU and United Nations Development Programme (UNDP).

which exist to cover current liabilities; and (d) quick ratio, which is another liquidity measure that excludes assets such as inventory stocks, which are more difficult to turn into cash (ibid., table 2).

10. Details of the Board's ratio analysis of the audited entities is contained in paragraphs 12 to 22 of its concise summary report (A/71/558), as well as under the relevant sections in the individual audit reports of the entities. The Board indicates that all 19 entities[1] demonstrated solvency and are able to meet their long-term liabilities, with a ratio of 1:1 considered to be a sound indicator of financial sustainability, but that some entities had lower liquidity ratios. Upon enquiry, the Advisory Committee was informed that the Board did not consider a ratio of 1:1 to be an "ideal" target for all entities but rather a generally sound indicator of financial sustainability, acknowledging that the acceptability of a given ratio depended on the nature of operations of an entity. For example, cash held would normally be interpreted as an indicator of sufficient liquidity but could also raise questions as to whether the entity was optimizing the use of available investment opportunities or whether the implementation of projects for which funds had been earmarked was being delayed.

11. The Board indicates that, compared with 2014, the ratios, overall, of 10 entities have increased from the previous period, namely UNFPA, UNICEF, UNHCR, UNU, UNITAR, United Nations (Vol. I), UN-Habitat, the International Tribunal for the Former Yugoslavia, the International Criminal Tribunal for Rwanda and UNEP, while comparable ratios for UNRWA, UN-Women, the United Nations Capital Development Fund, the International Residual Mechanism for Criminal Tribunals and ITC have declined over the same time period.

12. The Board also examined the financial ratios with respect to the United Nations (Vol. I) and confirmed that the financial situation of the Organization was solid, with sufficient assets to meet short-term and longer-term liabilities, as evidenced in a current ratio of 2.89, a quick ratio of 2.57 and a cash ratio of 1.77. In this connection, the Advisory Committee sought to obtain information on the trends over time showing the evolution of the financial standing of the Organization and was informed that, owing to the implementation of IPSAS in 2014 and the changing baselines, no meaningful trend could be determined at present; however, such information could be provided in the future. **The Advisory Committee would welcome the inclusion of the aforementioned trends on the movement of ratios over time, the correlation between acceptable ratios and the operational nature of an entity, as well as an analysis thereof, in the report of the Board of Auditors on the United Nations (Vol. I), once such information becomes available.**

13. With respect to the International Tribunal for the Former Yugoslavia, the Board indicates that the current ratio has increased to 7.11 in 2015, from 5.30 in 2014, with the analysis showing that the Tribunal had good liquidity ratios to cover its maturing obligations (A/71/5/Add.14, paras. 13-14). Upon enquiry, the Advisory Committee was informed that the approved resources for the Tribunal had declined from $327,472,000 in the biennium 2010-2011 to $191,107,000 in the biennium

[1] The Board indicates that the United Nations Joint Staff Pension Fund was not included in the analysis owing to the differing nature of its operations.

2014-2015 and that the high level of ratios signified a change in the asset-liability ratio, as total current liabilities had decreased by 16 per cent, while current assets had increased by 12 per cent. The Board indicated that those changes were due mainly to the scaling down of the Tribunal's activities leading to its expected closure.

14. Liquidity, however, continued to remain a concern with respect to UNRWA. The Advisory Committee recalls that, for the financial years 2013 and 2014, the Board of Auditors had assessed the financial position of UNRWA as "fair" (A/70/380, para. 10). However, upon enquiry, the Board indicated that, in its view, the financial situation of UNRWA could be described at present as "unstable" and "unpredictable". Specifically, the Board indicates that, while the overall financial ratios at the end of the financial year showed that the Agency was able to meet its maturing current liabilities, the cash-to-current liabilities ratio for the Agency's programme budget,[6] which finances its core activities, was 0.26, indicating insufficient cash to finance current core liabilities. The Board also states that UNRWA had a current ratio of 0.65 in 2015, that is to say $0.65 to finance $1 of outstanding debt, while in comparison, the current ratio had been 3.10 in 2014. Furthermore, the defensive interval ratio indicates that the Agency would be able to operate, without receiving donor funds, for only 142 days in 2015, while in comparison, it would have been able to operate independently for 145 days in 2014 (A/71/5/Add.4, para. 18 and table II.2). The Board also indicates that, although there is a negative net current asset balance for the programme budget, the net current assets of UNRWA amounted to $321.2 million as at 31 December 2015, compared with $349.4 million as at 31 December 2014, indicating positive short-term liquidity. **The Advisory Committee shares the Board's concern that the persistent problems with the unreliability and unpredictability of revenue sources available to the Agency to deliver its core mandated activities continue to be a challenge for UNRWA.**

15. The Board's review of reserves showed different practices in managing reserves. For example, UNFPA sets its minimum operational reserves at 20 per cent of unearmarked resources contribution revenue for each year of its workplan; the United Nations Capital Development Fund at 20 per cent of project commitments; and UNOPS at an equivalent of four months of the average of the administrative expenditure for the past three years of operation, based on the decision of its Executive Board. With respect to UNOPS, the operational reserve requirement for 2015 was $20.1 million but actually amounted to $102.4 million. However, according to the Board, the main purpose of the operational reserves is to provide for temporary deficits, fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in expenses and costs or any other contingencies, and to ensure continuity in the implementation of the projects undertaken by UNOPS.

16. Upon enquiry, the Advisory Committee was informed by the Board that a uniform standard determining reserve levels for United Nations entities would not necessarily be feasible owing to the differing nature of operations, regulations, enterprise resource systems such as Umoja and Atlas, and managing structures. With respect to UNOPS, the Committee was further informed by the Secretariat that, as a self-financing entity, UNOPS relied entirely on its reserves to meet any

[6] Previously known as the General Fund.

requirements arising from contingencies and that it was considered necessary to maintain a high level of reserves to ensure continued operations.

17. **The Advisory Committee concurs with the Board of Auditors that policies and practices with respect to reserves are based on entities' mandates and the nature of their operations and welcomes the Board's continued review of reserve levels and management practices across different entities. In addition, the Advisory Committee continues to note the need for a conservative approach to maintaining reserve levels, particularly for those entities which are funded primarily from voluntary resources and/or have multi-year commitments.**

2. Status of implementation of the Board's recommendations

18. The status of implementation of recommendations for the financial period ended 31 December 2014 is provided in the Board's long-form reports for each of the audited entities, including United Nations peacekeeping operations. A summary is presented in the concise summary report (see A/71/558, paras. 99-102 and annex III). The Board notes that, of 515 recommendations issued up to the year 2014 (and up to June 2015 for United Nations peacekeeping operations), 210 recommendations (or 41 per cent) had been fully implemented, representing a decrease in the rate of implementation compared with the previous periods, which had an implementation rate of 49.6 per cent (2013) and 56 per cent (2012) of past recommendations. The Advisory Committee notes, however, that the IPSAS-mandated annual reporting cycle started only with the current reporting period, which means that implementation statistics from prior periods may not be directly comparable (A/70/380, para. 14).

19. Upon enquiry, the Advisory Committee was informed by the Board of Auditors that the rate of implementation of recommendations had decreased owing to organizational factors such as the demands of implementing Umoja and the length of time needed to change certain policies or introduce controls into the systems. The Board of Auditors also stressed, however, that, in its view, there was a need for a dedicated follow-up mechanism or function that would allocate specific responsibility for the implementation of all recommendations (see also para. 44 below). **The Advisory Committee concurs with the Board that the decrease in the rate of implementation of recommendations is cause for concern and on the need to address outstanding recommendations in a timely manner and emphasizes the importance of the full and timely implementation of the Board's recommendations. In addition, the Advisory Committee is of the view that there is merit to putting into place a dedicated follow-up mechanism to monitor the implementation of the Board's recommendations.**

B. Cross-cutting matters

1. Business transformation

20. The Board summarizes its review of major transformation initiatives in several United Nations organizations in its reports on the individual entities, with particular focus on the United Nations (A/71/5 (Vol. I), chap. II, paras. 313-329). The Board's concise summary report also provides related details on the subject (A/71/558, paras. 91-98).

21. The Board of Auditors acknowledges management's commitment to transformation and notes good progress in initiatives such as IPSAS, Umoja, the global field support strategy and the development of strategies for managing core areas of business, such as information and communications technology. The Board also notes that it has frequently observed that major transformation projects have begun poorly and required significant intervention from senior managers and skilled teams to put them back on track. Other areas, for example the development of anti-fraud strategies (see paras. 24-31 below) or the implementation of results-based management and enterprise risk management, had no implementation plans to measure against, and consequently progress has been slow. The Board concludes that, overall, while important progress is being made, most reform initiatives are late, over budget and are subject to significant changes in scope compared with what was originally approved by Member States (A/71/5 (Vol. I), chap. II, para. 313). **The Advisory Committee concurs with the aforementioned assessment of the Board of Auditors and recalls the Board's recommendation that the Administration establish a formal approach to managing and improving operations and enhance its capability to coordinate ongoing transformation projects (see A/70/380, para. 16).** The Advisory Committee will continue to keep matters relating to the various change initiatives under close review and will provide its observations and recommendations in the context of its periodic reports on each of those topics.

2. Management of travel

22. With respect to matters relating to travel management, the Board of Auditors concluded that the United Nations entities and the funds and programmes had put in place effective measures to minimize travel costs through the use of alternative methods such as the promulgation of policies on advance purchase of tickets, as well as the increased use of teleconferencing and videoconferencing. However, the Board identified some deficiencies, for example with respect to UNRWA, which did not have in place an advance ticket travel purchase policy, and UNICEF, where only 35 per cent of cases adhered to the 14-day advance ticket purchase policy and where instances of delays in the clearance of travel advances were identified (A/71/558, paras. 83-85).

23. Upon enquiry, the Advisory Committee was informed that, based on the data gathered by the Board, it could not form reliable conclusions as to whether entities were incurring reduced travel costs as a result of changes in policies and practices. For example, the Board was unable to obtain sufficient details to assess the impact of the use of videoconferencing with respect to the United Nations (Vol. I). **The Advisory Committee notes with concern that the provision of travel information by the Secretariat has been a recurrent problem, for instance with respect to data on travel patterns (see A/70/7, para. 112). The Advisory Committee trusts that the Board of Auditors will continue its efforts in examining travel expenditures and travel management practices, including the use of alternative means of communication, in the United Nations and across other United Nations entities with a view to ensuring the transparent and efficient use of resources.**

3. Fraud-related matters

24. The review of the Board of Auditors with respect to fraud-related matters is presented in the reports on the respective entities, as well as in the concise summary report (A/71/558, paras. 47-52 and table 5). Upon enquiry, the Advisory Committee was provided with a table showing fraud cases and counter-fraud measures in each of the entities audited by the Board (see annex II to the present report).

25. The Board concluded that overall levels of fraud and presumptive fraud cases had increased, compared with 2014, with respect to United Nations peacekeeping operations, UNDP, UNFPA, UNHCR, UNOPS, UNRWA and UN-Women. For example, United Nations peacekeeping operations reported 52 cases, compared with 39 cases in 2014, and UNDP showed a significant increase from only 7 cases in 2014 to 56 cases in 2015. In comparison, the Board indicates that, for the United Nations (Vol. I), no cases of fraud were reported for the year 2015, compared with two cases in 2014. The Board states furthermore that, in its opinion, the value of fraud cases reported for 2015 is low, as it represents only 0.01 per cent of the total expenses reported by the entities in 2015. The Board shares the view of the Joint Inspection Unit that underreporting and/or non-detection of fraud and presumptive fraud in the United Nations system could be significant and endemic, as the level of fraud reported is unusually low, considering the scale, complexity and high-risk environment (see JIU/REP/2016/4, para. 4).

26. Upon enquiry, the Advisory Committee was informed that the United Nations organizations' representatives in a task force on a common definition relating to fraud and implementing partners established by the High-level Committee on Management were sharing experiences on strengthening the detection and reporting of fraud and presumptive fraud.

27. **The Advisory Committee concurs with the assessment of the Board and is of the view that there may be underreporting of fraud and presumptive fraud in the United Nations system and emphasizes its previously stated concern that the Board was, again, not in a position to provide a level of assurance that the numbers reported and disclosed by management of fraud cases in the United Nations Secretariat for the reporting period were either complete or accurate.**

28. **Furthermore, while acknowledging the initial steps taken by the High-level Committee on Management in sharing information and experiences on this issue, the Committee also expects that the related task force will redouble its efforts to conclude its work in developing clear and consistent guidance on the matter of fraud detection and reporting.**

29. Upon enquiry, the Advisory Committee was informed by the Board that there was a need for each United Nations entity to set up a system to prevent and detect fraud and to develop a cohesive and consistent approach by developing response plans that set out the appropriate arrangements in detecting fraud or dealing with suspected cases of fraud. Such a system should include an integrated counter-fraud strategy focusing on all types of internal and external fraud, with a clear process for developing fraud risk assessments. In this connection, the Advisory Committee was further informed that the Secretariat had established a related working group on the matter but that no definition of presumptive fraud had been agreed during the course of 2015.

30. The Advisory Committee notes that the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat (ST/IC/2016/25) has subsequently been issued, covering a range of fraud-related matters, including preventing, reporting and investigating fraud with respect to United Nations personnel and third parties, such as vendors, non-State donors and implementing partners. **The Advisory Committee welcomes the issuance of the aforementioned Anti-Fraud and Anti-Corruption Framework by the United Nations and looks forward to examining the Board's views on the related document and its application in the context of its next volume I audit report.**

31. **The Advisory Committee continues to stress that a single agreed definition of what constitutes fraud, as well as cases of suspected or presumptive fraud, is essential in order to develop effective counter-fraud policies and to ensure compatibility and comparability of related data across the United Nations system to improve the level of disclosure and transparency of cases vis-à-vis Member States, donors and staff. In this connection, the Advisory Committee reiterates its view that the United Nations System Chief Executives Board for Coordination is best placed to develop guidance in this respect so as to achieve consistent application across all organizations of the United Nations system (see A/70/338, para. 30).**

4. Management of implementing partners

32. The observations and recommendations of the Board of Auditors with respect to implementing partners in United Nations entities are addressed in its reports on the concerned entities, as well as in the concise summary report (A/71/558, paras. 40-46). The Board, in particular, highlights the importance of information-sharing mechanisms among United Nations entities with respect to implementing partners. The Board also notes the example of the Office for the Coordination of Humanitarian Affairs of the Secretariat, which, in the Board's view, has developed a well-designed and comprehensive assurance framework around implementing partners. The Board indicated that there was a need to improve the central oversight and consolidation at Headquarters of the results of the various assurance mechanisms. In this connection, the Advisory Committee was informed, upon enquiry, that the Board expected United Nations entities operating in the same regions and using the same implementing partners to share information on partner performance, fraud, abandonment of work or delivery of substandard work, as well as instances of positive work performance.

33. In this connection, the Advisory Committee was informed, upon enquiry, that the above-mentioned information-sharing mechanism of the High-level Committee on Management task force on implementing partners (see para. 26 above) would adopt common definitions for vendors, implementing partners and grant recipients and review the tools to deal with the issue, including the possibility of utilizing the United Nations Global Marketplace as the information-sharing platform. **The Advisory Committee concurs with the Board on the need for a well-functioning information-sharing mechanism with respect to implementing partners among United Nations entities and trusts that the Board will continue to prioritize this issue in future audits and looks forward to examining the related details in this regard (see also A/70/380, para. 33).**

34. With respect to procurement activities, the Board points to a number of deficiencies and highlights, inter alia, the need to strengthen implementing partners' procurement processes, with respect to UNHCR; cases of delayed deliveries of goods or works and non-recovery of related damages at UNICEF, the International Residual Mechanism for Criminal Tribunals and UNRWA; and cases of inadequate justification of waivers at UNRWA that involved issues such as shortening of tender periods and failure to identify procurement requirements in a timely manner and/or to communicate the results to the procurement and logistics departments.

5. Procurement

35. Matters related to procurement and contract management are covered in the Board's reports on the concerned entities, as well as in the concise summary report (A/71/558, paras. 66-67). In the case of the United Nations Joint Staff Pension Fund, the Board indicates that it noted in 2011 that the Fund had decided to treat the selection of external fund managers as an investment decision rather than a procurement exercise and to have separate guidelines for selecting and evaluating managers of external funds. The Board of Auditors observes that, during the financial year 2015, or after more than four years, the related guidelines were still not finalized. **The Advisory Committee trusts that the Board of Auditors will continue to follow up on the long-awaited finalization of the aforementioned guidelines.**

36. With respect to the United Nations (Vol. I), procurement processes designed to improve value for money were not performed consistently and, therefore, some contracts were not subject to adequate competition or performance management. The Board identified a number of cases of the unjustified use of waivers of the requirement for competitive bidding, for example for proprietary software, maintenance support and related implementation services for an advanced end point security solution; and multiple extensions of contracts, for example for messenger services and information and communications technology equipment (see A/71/5 (Vol. I), chap. II, paras. 220-235). **In this connection, the Advisory Committee continues to stress the need for closer monitoring of compliance to ensure strict adherence to the provisions of the Procurement Manual and other procurement rules and procedures. In this regard, the Committee expects that the Secretary-General will ensure the full implementation of the recommendations of the Board of Auditors (see A/69/809, para. 23).**

6. Global estate management

37. The Board summarizes its review of the Organization's global real estate management in its reports on the individual entities, with a particular focus on the United Nations (Vol. I) (A/71/5 (Vol. I), chap. II, paras. 113-160), and in the concise summary report (A/71/558, paras. 86-90). The Board of Auditors indicates that UNRWA, UNDP, UNFPA, UN-Women and UNU have developed an asset management strategy that includes a maintenance investment plan. The Board also notes that the United Nations (Vol. I) has started to introduce a more strategic approach to managing its global estate, such as conducting the strategic capital review; implementing the Umoja estates management module; introducing a flexible workplace in New York; and producing guidelines for managing capital projects. However, the Advisory Committee was informed, upon enquiry, that the Board

found that no single estate management strategy was in place across the Secretariat, as each estate was managed locally. Furthermore, the Board indicated that none of the duty stations could provide a strategy as to how they intended to manage and improve the estate. The Board also indicated that, in its view, the adoption of such an approach did not need to entail significant additional resources (see A/71/5 (Vol. I), chap. II, paras. 153-154).

C. Issues concerning specific entities

1. United Nations Children's Fund

38. The Board of Auditors indicates that UNICEF has multiple budgets but operates without a single consolidated annual budget comprising all types of funding sources and expenditures. In the Board's view, this could work as an important tool for effective financial control. UNICEF agreed to the Board's recommendation to consider: (a) consolidating at the corporate level an annual integrated budget containing figures from all the budgets approved by the Executive Board; and (b) include budgeted amounts for various activities under each outcome at the appropriate business unit level (A/71/5/Add.3, paras. 10-14).

39. Upon enquiry, the Advisory Committee was informed by the Board that its recommendation would entail the issuance of an "annual integrated budgetary statement", which would consolidate information from the different approved budgets that UNICEF currently maintained. **The Advisory Committee concurs with the Board on the need for a yearly corporate budget summary, in order to provide an overview for all stakeholders and to improve overall clarity and transparency of the Fund's overall resource requirements. The Committee trusts that the Board of Auditors will provide updates, in future reports, on the usefulness of such an annual budget summary.**

40. In its related report, the Board of Auditors again makes recommendations relating to the level of reserves held by the UNICEF National Committees, which, in its view, should be reasonable, taking into account the requirement of funds to be transferred in support of UNICEF activities and programmes. The Board notes, however, that 10 National Committees had maintained reserve retention levels (excluding statutory reserves and earmarked restricted non-statutory reserves) in excess of the stipulation in their respective reserve policies and indicates that this would deprive UNICEF of necessary funds for its programmes (ibid., paras. 41-57). The Advisory Committee was informed upon enquiry that UNICEF had provided guidance on reserve retention policies for National Committees, which were independent entities, and had suggested an appropriate retention benchmark, which had been accepted by the majority of the National Committees. Upon enquiry, the Advisory Committee was informed that the Board was of the opinion that UNICEF could more effectively monitor the retention of reserves by the National Committees through more regular and continuous engagement.

2. United Nations Secretariat

Implementation of recommendations

41. In its follow-up on the status of implementation of extant recommendations by the Secretariat, the Board of Auditors notes that, of 63 recommendations, 6 (9 per cent) had been fully implemented, 22 (35 per cent) were under implementation, 32 (51 per cent) had not been implemented, 2 (3 per cent) had been closed by the Board and 1 (2 per cent) had been overtaken by events (see A/71/5 (Vol. I), chap. II, paras. 8-12). In comparison, for the financial year 2014, of 47 recommendations, 5 (11 per cent) had been fully implemented, 19 (40 per cent) were under implementation, 18 (38 per cent) had not been implemented and 5 (11 per cent) had been closed by the Board (see A/70/5 (Vol. I), chap. II, paras. 9-12). The Board expresses its concern that the Secretariat has made insufficient progress in this regard and expects to see more urgent progress made. The Advisory Committee recalls that, with respect to the financial year 2014, which also showed a low implementation rate, the Board noted that the reduced implementation rate had resulted partly from the high demands placed on the Secretariat by the concurrent implementation and prioritization of major reform initiatives (see A/70/380, para. 37).

42. Upon enquiry, the Advisory Committee was informed by the Board that the Secretary-General had provided three main reasons for the low implementation rate, as follows:

(a) The Board's follow-up on the implementation of its recommendations for the United Nations (Vol. I) was currently conducted annually, after the adoption of IPSAS, instead of biennially, as had been previously done;

(b) Some of the recommendations were of an ongoing nature, as they related to the major transformational projects in progress;

(c) The simultaneous implementation of the Secretary-General's transformation agenda (IPSAS, Umoja, mobility initiatives, global service delivery model, etc.) had placed strong demands on the same group of staff members that would ordinarily also be involved in implementing the Board's recommendations.

43. The Advisory Committee was also informed that, in the Board's view, some recommendations could have been implemented sooner if the Secretariat's actions had been designed to respond more directly to the Board's concerns. The Committee was further informed that there was a need to ensure that recommendations were fully understood, that the Secretariat developed more targeted responses and that it provided greater evidence that progress in implementation was being made.

44. **The Advisory Committee concurs with the Board that the decrease in the rate of implementation of recommendations is cause for concern and emphasizes the importance of the full and timely implementation of the Board's recommendations (see also para. 19 above).**

Annex I

Financial reports, audited financial statements and reports of the Board of Auditors for the financial period ended 31 December 2015 and other related reports considered by the Advisory Committee on Administrative and Budgetary Questions

1. United Nations (A/71/5 (Vol. I))
2. International Trade Centre (A/71/5 (Vol. III))
3. United Nations University (A/71/5 (Vol. IV))
4. Capital master plan (A/71/5 (Vol. V))[a]
5. United Nations Development Programme (A/71/5/Add.1)
6. United Nations Capital Development Fund (A/71/5/Add.2)
7. United Nations Children's Fund (A/71/5/Add.3)
8. United Nations Relief and Works Agency for Palestine Refugees in the Near East (A/71/5/Add.4)
9. United Nations Institute for Training and Research (A/71/5/Add.5)
10. Voluntary funds administered by the United Nations High Commissioner for Refugees (A/71/5/Add.6)
11. Fund of the United Nations Environment Programme (A/71/5/Add.7)
12. United Nations Population Fund (A/71/5/Add.8)
13. United Nations Human Settlements Programme (A/71/5/Add.9)
14. United Nations Office on Drugs and Crime (A/71/5/Add.10)
15. United Nations Office for Project Services (A/71/5/Add.11)
16. United Nations Entity for Gender Equality and the Empowerment of Women (A/71/5/Add.12)
17. International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 (A/71/5/Add.13)
18. International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 (A/71/5/Add.14)
19. International Residual Mechanism for Criminal Tribunals (A/71/5/Add.15)

[a] Discussed in a separate report of the Advisory Committee

20. Report of the United Nations Joint Staff Pension Fund (A/71/5/Add.16)[a]

21. Fifth annual progress report of the Board of Auditors on the implementation of the United Nations enterprise resource planning system [Umoja] (A/71/180)[a]

22. Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2015 (A/71/558)

23. Report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its report on the capital master plan for the year ended 31 December 2015 (A/71/331)

24. Report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its reports on the United Nations funds and programmes for the year ended 31 December 2015 (A/71/331/Add.1)

25. Report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its report on the United Nations for the year ended 31 December 2015 (A/71/331/Add.2)

Annex II

Fraud cases and counter-fraud measures

Entity	Number of fraud and presumptive fraud cases: 2015	Number of fraud and presumptive fraud cases: 2014	Value of fraud cases (thousands of United States dollars): 2015	Amount recovered from fraud losses (thousands of United States dollars): 2015	Has a policy on fraud	Has fraud awareness and training	Has reporting and monitoring mechanism	Has resources allocated for anti-fraud measures and activities	Has investigative capacity and capability	Has mechanism for recovery of damages, losses and assets	Has an adequate strategy in place
United Nations (Vol. I)	–	2	N/A	–	Yes	Yes	Yes	Yes	Yes	Yes	No
United Nations peacekeeping operations	52	39	338	Not reported	Yes	Yes	Yes	No	Uses OIOS	Yes	Yes
ITC	–	–	N/A	N/A	Yes	Limited (given the level of risk)	Yes	No	Uses OIOS	Yes	Yes
United Nations Capital Development Fund	–	–	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes
UNDP	56	7	2 900	56	Yes	Yes	Yes	Yes	Yes	Yes	Yes
UNEP	–	2	19	N/A	Yes	Yes			Uses OIOS	No	Yes
UNFPA	26	9	120	Not reported	Yes	Yes	Yes	No	Yes	Yes	Yes
UN-Habitat	1	1	243	3	Yes	No	Yes	No	Uses OIOS	No	Yes
UNICEF	16	38	790	25	Yes	Yes	Yes	No	Yes	Yes	Yes
UNITAR	–	–	N/A	N/A	Yes	No	Yes	No	Uses OIOS	Yes	Yes
UNHCR	12	6	200	–	Yes	Yes	Yes	Yes	Yes	Yes	Yes
United Nations Joint Staff Pension Fund	–	–	–	–	No[a]	Yes	Yes	No	Uses OIOS	Yes	No
UNODC	1	1	–	18	Yes	No	Yes	No	Uses OIOS	Yes	No
UNOPS	47[b]	34[b]	32	5	Yes	Yes	Yes	Yes	Yes	Yes	No
UNRWA	41	11	Not given	Not reported	Yes	Yes	Yes	Yes	Yes	No	Yes
UNU	–	–	N/A	N/A	Yes	Yes	Yes	No	Uses OIOS	Yes	Yes
UN-Women	10	4	Not reported	Not reported	Yes	Yes	Yes	Yes	Yes	Yes	No
International Criminal Tribunal for Rwanda	–	–	N/A	N/A	No	No	Yes	No	Uses OIOS	No	No

Entity	Number of fraud and presumptive fraud cases 2015	2014	Value of fraud cases (thousands of United States dollars) 2015	Amount recovered from fraud losses (thousands of United States dollars) 2015	Has a policy on fraud	Has fraud awareness and training	Has reporting and monitoring mechanism	Has resources allocated for anti-fraud measures and activities	Has investigative capacity and capability	Has mechanism for recovery of damages, losses and assets	Has an adequate strategy in place
International Tribunal for the Former Yugoslavia	—	—	N/A	N/A	Yes	Yes	Yes	No	Uses OIOS	Yes	No
International Residual Mechanism for Criminal Tribunals	—	—	N/A	N/A	Yes	Yes	Yes	No	Uses OIOS	Yes	No
Total			**4 642**	**107**							

Source: Board reports on the individual entities.

Abbreviations: ITC, International Trade Centre; N/A, not applicable; OIOS, Office of Internal Oversight Services; UNDP, United Nations Development Programme; UNEP, United Nations Environment Programme; UNFPA, United Nations Population Fund; UN-Habitat, United Nations Human Settlements Programme; UNHCR, Office of the United Nations High Commissioner for Refugees; UNICEF, United Nations Children's Fund; UNITAR, United Nations Institute for Training and Research; UNODC, United Nations Office on Drugs and Crime; UNOPS, United Nations Office for Project Services; UNRWA, United Nations Relief and Works Agency for Palestine Refugees in the Near East; UNU, United Nations University; UN-Women, United Nations Entity for Gender Equality and the Empowerment of Women.

[a] Relates only to the Investment Management Division.

[b] Between 82 and 89 per cent relate to medical insurance fraud.